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FISCAL IMPACT REPORT

ORIGINAL DATE 1-31-06
LAST UPDATED 2-8-06 **HB** 443/aHENRC/aHAFC

SPONSOR Campos

SHORT TITLE Natural Resource Recovery Task Force Transfer **SB** _____

ANALYST Woods

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico State University, College of Agriculture and Home Economics (NMSU)
 New Mexico Department of Agriculture (NMDA)

SUMMARY

Synopsis of HAFC Amendment

House Appropriations and Finance Committee Amendment to HB443/aHENRC amends the legislation as follows:

1. On page 1, line 14, strike "; MAKING APPROPRIATIONS".
2. On pages 4 and 5, strike Section 3 in its entirety.

House Appropriations and Finance Committee Amendment to HB443/aHENRC removes the appropriation from the legislation.

Synopsis of HENRC Amendment

House Energy and Natural Resources Committee amendment to HB442 amends the legislation as follows:

1. On page 1, line 13, strike "TERMINATION" and insert in lieu thereof "LIFE".

2. On page 4, line 7, strike "2008" and insert in lieu thereof "2009".
3. On page 4, line 9, strike "2009" and insert in lieu thereof "2010".
4. On page 4, line 10, strike "2009" and insert in lieu thereof "2010".
5. On page 4, strike lines 21 through 25 and on page 5, strike page 5, lines 1 through 11 and insert in lieu thereof:

"fund a social and economic study that is consistent with the duties of the natural resource revenue recovery task force pursuant to Section 19-1A-2 NMSA 1978. The cooperative extension service in the college of agriculture and home economics shall administer the study and provide the study to the task force for presentation to the New Mexico legislative council and the governor.".,

House Energy and Natural Resources Committee amendment to HB442 attaches no additional appropriation to the legislation.

Original Synopsis of Bill

House Bill 443 relates to natural resources; transferring the Natural Resource Revenue Recovery Task Force to the New Mexico Department of Agriculture; extending the termination of the task force; making an appropriation. Specifically, the legislation seeks to amend Section 19-1A-2 NMSA 1978 (being Laws 2003, Chapter 42, Section 2) to transfer the "Natural Resource Revenue Recovery Task Force" and staffing requirements from the State Land Office to the New Mexico Department of Agriculture (NMDA). The task force will be terminated on July 1, 2008, pursuant to the Sunset Act. The legislation also appropriates \$200,000 from the general fund to the Board of Regents of New Mexico State University (NMSU) for NMDA to fund the operations of the Natural Resource Revenue Recovery Task force. Task force responsibilities are to include:

- review and analyze the historical and current differences between the prices received by agricultural producers and the prices paid by consumers;
- gather and compile information on the impact of the federal laws that affect agriculture and extraction industries, specifically the Agriculture Adjustment Act and the National Industrial Recovery Act as originally enacted;
- evaluate the United States congress's original objectives to stabilize commodity prices and rural income, manage public lands for multiple use, preserve grazing and water rights and foster timber harvests compared to the laws' outcomes;
- assess the relationship of these laws with the Treaty of Guadalupe Hidalgo, Kearny's Code and the preservation of New Mexico's private property rights contained in the United States constitution;
- define the economic impact of the Agriculture Adjustment Act and the National Industrial Recovery Act upon agricultural producers, natural resource industries and related businesses and the impact on county and state revenues;

- develop state policies to counteract the negative effect of federal law; and
- report its findings and recommendations annually by December 1 to the New Mexico legislative council and the governor.

Additionally, the legislation also seeks to appropriate \$500,000 to the Board of Regents of NMSU for the Cooperative Extension Service in the College of Agriculture and Home Economics to establish an Economic, Trade and Policy Analysis Center which shall analyze, assess, monitor and provide projections of the economic and social impacts of:

- proposed, impending and ongoing impacts of United States agricultural policies on New Mexico producers;
- national trade policy on the southwest region;
- national security events, border security policies and programs that may affect the flow of trade across the southern border of the United States; and
- state legislation, policies and regulations on New Mexico's producers and agricultural and natural resources.

Any unexpended or unencumbered balance from either appropriation remaining at the end of fiscal year 2008 shall revert to the general fund.

SIGNIFICANT ISSUES

With respect to the transfer of the Natural Resource Revenue Recovery Task Force to the New Mexico Department of Agriculture, NMDA notes the following:

- While NMDA assumes responsibility for the task force from the State Land Office, the Commissioner of Public Lands is still charged with appointment of two members of the task force.
- NMDA would need at least one additional full time employee to staff the task force and assist with analysis and generation of the report to the New Mexico Legislative Council and the Governor.
- It is currently unclear if one year in addition to the “wind up period” as provided in the Sunset Act will be a sufficient amount of time to complete the tasks assigned to NMDA and the Natural Resource Revenue Recovery Task Force.

With respect to the establishment of an Economic, Trade and Policy Analysis Center at New Mexico State University, College of Agriculture and Home Economics, NMSU notes that under the program, NMSU will organize and maintain interdisciplinary multi-institutional teams of applied researchers, extension development agents and public and private sector partners to:

- Develop the necessary databases and analytical models to enable the state’s public officials to respond to emerging rural and agricultural policies and trade issues

of interest to New Mexico, and to provide the state's response and voice in federal legislation and regulation.

- Analyze the impact of existing agricultural and resource policies on New Mexico's agriculture and economy.
- The Center in cooperation with NMSU's Range Improvement Task Force (RITF) will evaluate, monitor, and analyze existing and alternative land and resource policies and regulations which impact rural stability and rural economies in New Mexico. The Center will provide the NRRRTF, Legislature, and public officials with information to develop mitigating measures to improve or enhance rural economies.
- Monitor and assess trade policies of the U.S. and its trading partners that influence the state's agriculture and natural resources, and the state and regional economy
- Provide disaggregated impact estimates by state, congressional district, economic regions, industry (such as agriculture, tourism) and sub-industry (such as dairy, cotton).
- Evaluate policy options to address any negative impacts of trade initiatives, and to develop proposals for state action to minimize federal policies that are harmful to the state's agriculture and general economy.
- Analyze the state's competitive position versus neighboring states in attracting value-added industry.

NMSU adds that the information compiled by NMSU will assist in developing legislative recommendations by the Natural Resource Revenue Recovery Task Force or other legislative committees to improve the revenue situation for agricultural, natural resource and rural communities.

OTHER SUBSTANTIVE ISSUES

As background, NMSU indicates that the State of New Mexico declared an agricultural and natural resource revenue emergency in 2000 and formed the Natural Resource Revenue Recovery Task Force (NRRRTF) to determine causes and remedies for the emergency. Other states of emergency have been declared for border counties in regard to homeland security and the economic crisis that has left our rural areas with limited job opportunities and a high proportion of the population living below the Federal poverty level. Several causes for these problems have been suggested such as unfavorable Federal economic, natural resource, and trade policies which have had a detrimental effect on the state's agriculture and natural resource activities. Presentations before legislative committees, and the NRRRTF identified that New Mexico processes or adds value to its agricultural and rural resource products at a rate far lower than the U.S. average.

New Mexico finds itself in a unique location in the U.S. due to its proximity to the Mexican border. With its low level of personal income in aggregate and per capita terms, New Mexico is especially sensitive to fluctuations in U.S. economic, agricultural, and trade policies. One would expect, therefore, that trade flow with Mexico and other countries would have an important im-

pact on the New Mexican economy as well as those of neighboring states. Competition from Mexican imports, with NAFTA fully implemented, is expected to affect the agricultural and other primary economic sectors in the state and the Southwest. Mexico enjoys a comparative advantage in the production of low-cost labor-intensive agricultural and manufacturing products. This advantage may exacerbate New Mexico's agricultural and natural resource revenue emergency. As new economic and agricultural policies and trade agreements are considered such as the Central America Free Trade Agreement (CAFTA), Free Trade Agreement of the Americas (FTAA), and further World Trade Organization (WTO) agreements, additional impacts on state and area economies can be expected. More importantly, these economic impacts may occur unequally across states and within the state causing economic displacement in terms of jobs or stress on local infrastructure in cases of economic growth.

PERFORMANCE IMPLICATIONS

NMSU suggests that it is strategically located to lead the implementation of comprehensive research and outreach programs focusing on the Southwest and the U.S.-Mexico trade. As the Land-Grant University of New Mexico, NMSU has comprehensive research and Extension capabilities in scientific and technical areas related to agricultural, resource and rural policy. Specifically, these capabilities include the ability to analyze the economic and social impacts of regional trade, and to design and lead in the implementation of "mitigating" program, which may be adopted by the state of New Mexico or federal authorities.

NMSU will issue periodic assessments and analyses to private-sector businesses, industry representative and policy-makers. NMSU will be sensitive to the need to focus on priority issues identified by an advisory group of public, business and industry leaders who are often first to anticipate the potential impacts of policy changes on the region. Strong policy-maker and industry participation and feedback will be maintained. Although NMSU will continuously collect and systematize all relevant data and information, and monitor and conduct analyses of all key proposed, impending and on-going initiatives, more in-depth specialized studies and presentations requested by federal and state government authorities will be undertaken, resources permitting. Mitigating program measures will only be explored. Implementation of such policies is the responsibility of state and federal governments.

BW/yr